

ISSN: 2249 - 2463

Impact Factor: 1.3409

IJBMSS

Vol. V, Issue 1, September 2015

International Journal of

**Business, Management
& Social Sciences**

21	ROLE OF MEN IN PROTECTING THE INTEREST OF POLICYHOLDERS IN INDIA Workshop: Vijay Kumar	107
22	SUBTITLING OF CARTOONS: A NECESSARY TOOL FOR LANGUAGE ACQUISITION Rev. Mario Rozario & Dr. Anuchellian D'Souza	108

ROLE OF IRDA IN PROTECTING THE INTEREST OF POLICYHOLDERS IN INDIA

Madugu Vijay Kumar

ABSTRACT

Insurance promises a compensation of monetary loss sustained by a particular person, due to the damage or destruction of a particular piece of property owned by him, provided it happens due to certain causes. Insurance is perfectly a simple promise to cover the loss. But in reality an insurance policy document is loaded with intimidating wordings. It is not clearly written in simple English. The people who do insurance probably have not read it. Policy holders' interest is prime aspect. These policyholders are also considered as consumers under Consumer Rights Protection Act 1986. The Govt. of India enacted the act by establishing Insurance Regulatory and Development Authority (IRDA) Act, 1999. The study has the objectives to study the role of IRDA in protecting Interests' of insurance policyholders, the scope of IRDA in protecting the policy holders, to know the genesis of IRDA, to know about the objectives of IRDA, The present paper is mainly based on the secondary data, the secondary data collected from various sources like books, journals, magazines and reports.

Introduction

Insurance constitutes an important service segment accentuating economic development by resource mobilization, its utilization and to resource creation. It works on the principle of pooling risks and charging each customer a premium based only on the average risk of the pool. Insurance promises a compensation of monetary loss sustained by a particular person, due to the damage or destruction of a particular piece of property owned by him, provided it happens due to certain causes. Insurance is perfectly a simple promise to cover the loss. But in reality an insurance policy document is loaded with intimidating wordings. It is not clearly written in simple English. The people who do insurance probably have not read it. Policy holders' interest is prime aspect. Similarly number problems are arising in the insurance sector which are delay in policy document delivery, non receipt of the claim amount, rejection of claim, non Cancellation of the Policy, rejection of providing cashless service, requested service not provided, less maturity amt. paid than entitled, refusal of payment of money back policy, unsatisfactory redressal. These policyholders are also considered as insurance consumers under Consumer Rights Protection Act 1986 and to protect even specific insurance consumers interests and to regulate entire insurance sector Insurance regulatory and Development Authority of India (IRDA) has been established under IRDA Act, 1999.

OBJECTIVES OF THE STUDY

The specific objectives of the study are

- To study the role of IRDA in protecting Interests' of insurance policyholders,
- To study about the scope of IRDA in protecting the policy holders,
- To know the genesis of IRDA,

To give suggestions for insurance consumer protection.

METHODOLOGY

The present paper is mainly based on the secondary data, the secondary data collected from various sources like books, journals, magazines and reports.

GENESIS OF IRDA

The Govt. of India in April 1993 appointed R.N Malhotra Committee of reforms in insurance sector. During 1996 the Govt. of India approved the setting up of the Interim Insurance Regulatory Authority (IRA) that would replace the controller of Insurance (COI) and be under the overall control of Ministry of Finance. It had been entrusted with the task of preparing a comprehensive legislation to establish a statutory, autonomous IRA on the pattern of the Securities and Exchange Board of India (SEBI). Later Govt. decided to set up a regulatory body to regulate insurance corporations in the era of liberalization and globalization. And also to provide better insurance cover to citizens and also to augment the flow of long term sources of financing infrastructure, The Govt. of India enacted the act by establishing Insurance Regulatory and Development Authority (IRDA) Act, 1999.

OBJECTIVES OF IRDA

IRDA Act was enacted in 1999 to protect the interests of policy holders, to regulate, promote and ensure orderly growth of the industry and for matters connected therewith /incidental thereto and also to amend the Insurance Act, 1938, the LIC Act, 1956, and the General Insurance Business (Nationalization) Act, 1972. IRDA has been established with the following objectives.

- To take care of the policy holder interest,
- To eliminate dishonesty and unhealthy competition,
- To open the insurance sector for private sector,
- To ensure continued financial soundness and solvency,
- To regulate insurance and reinsurance companies,

For supervising the activities of intermediaries.

SCOPE OF IRDA POWERS AND DUTIES

For Smooth running of insurance business IRDA has been vested with adequate powers and duties. To promote the interest of the policy holders in settlement of claims and terms and conditions of policies, to regulate, promote and ensure orderly growth of the insurance business, to exercise all powers and functions of the controller of insurance, to regulate terms and condition offered by the insurer in respect of general insurance matters, to call for information from, undertake inspection and conduct investigations including audit of the insurer, intermediaries and other connected organizations and persons, to regulate investment of funds, to regulate margins if solvency, to adjudicate disputes between insurers and intermediaries. The powers and functions mentioned above would enable IRDA to perform the role of an effective watchdog and regulator for the insurance sector in India. IRDA may constitute an Insurance Advisory Committee (IAC) to represent the interest of commerce, Industry, transport, agriculture, consumer for a, surveyors, agents, intermediaries, including brokers, consultants and loss assessors, organizations engaged in safety and loss prevention, research bodies and employees' associations in the insurance sector, to advise it on the matters relating to making regulations by it and on such other matters as may be prescribed. The IRDA may from time to time, issues directions as it deems fit, in the interest of public to prevent the affairs of any insurer being conducted in a manner detrimental to the interest of the policyholders/insurers, to secure proper management of any insurer, it is necessary to issue directions to insurers. Insurance company has take prior approval to appoint any director of the Chief Executive Officer, those officers may be removed from the office by the DRDA in public interest or for prevent the affairs of an insurer being conducted in a manner detrimental to the interest of policy holders.

IRDA formulate regulations for the interest of policy holders and general public covers rural /Social obligations, insurance advertisement and disclosures ,licensing of insurance agents, general Insurance-reinsurance ,appointed actuary asset, liabilities and solvency margins, registration of Indian insurance companies, investment norms, preparation of financial statements and auditors reports, third party administrators, protection of policy holders interest, corporate/ composite agents, insurance brokers,

distribution of surplus, Life insurance reinsurance, Insurance surveyors and loss assessor and, Micro-insurance. IRDA inspect or review the advertisements of insurer in related to insurance products, misleading or violated the code of the ASCI. In case of a complaint, the IRDA can take action and issue directions to the advertiser, impose penalty also.

IRDA IN PROTECTING THE INTEREST OF POLICY HOLDERS

IRDA as regulatory body protecting the interests of policy holders by formulating various regulations, those are applicable to all insurers, insurance agents, insurance intermediaries and policy holders. Their main elements are

- Point of sale
- Proposal for insurance
- Grievance redressal procedure
- Matters to be stated in life insurance policy
- Matters to be stated in general insurance policy
- Claims procedures in respect of life insurance policy
- Claims procedures in respect of general insurance policy
- Policy holders' servicing and general.

All insurers should follow the regulations of the IRDA, at the time of Point of sale A prospectus is a document issued by an insurer to the prospective buyer of insurance products should be clearly stated with the scope of the benefits, the extent of insurance cover and in an explicit manner explain the warranties/exceptions/conditions of the insurance cover and in case of life insurance, whether the product is participating or non participating , the allowable riders on the product should be clearly spell out with regard to their scope of benefits and in no case, the premium related to the health related or critical illness riders in case of term/ group products should exceed 100 percent of premium under the basic products.

In case of Proposal for insurance an insurer should furnish a copy of the proposal form to the insured free of charge, within 30 days of the acceptance of proposal. The forms and documents used in the grant of coverage depending upon the circumstances of each case, be made available in languages recognized under the Constitution of India. The insurer should draw the attention and encourage the proposer to avail the benefit of nomination facility.

Every insurer should have in place proper procedures and effective mechanism to address complaints and grievances of policyholders efficiently and with speed and the same along with the information in respect of Insurance Ombudsman should be communicated to the policyholders along with the policy document and as may be found necessary.

While forwarding the policy to the insured, the insurer should inform him that he has a period of 15 days from the date of receipt of the policy document to review the terms and conditions of the policy, and where he disagree to any of those terms or conditions, he has the option to return the policy stating the reasons for his objections, when he would be entitled to a refund of the premium paid, subject only to a deduction of a proportionate risk premium for the period on cover and the expenses incurred by the insurer on medical examination of the proposer and stamp duty charges. in related to cover , where premium charged is dependent on age , the insurer should ensure that the age is admitted as far as possible before issuance of the policy document.

In case, where age has not been admitted by the time the policy is issued, the insurer should make efforts to obtain proof of age and admit the same as soon as possible. Matters related to general insurance, policy should clearly state the details of the insured. Every insurer should inform and keep informed periodically the insured on the requirements to be fulfilled by him regarding lodging of a claim arising in terms of the policy and the procedures to be followed by him to enable the insurer to settle a claim early.

In the case of life insurance claims, it should process the claim without delay. Any queries or requirement of additional documents to the extent possible should be raised all at once, within a period of 15 days of the receipt of the claim. A claim should be paid or disputed giving all the relevant reasons within 30 days from the date of receipt of all relevant papers and clarifications required where, in the opinion of the insurance company. The circumstances of a claim warrant an investigation, it should initiate and complete such investigation at the earliest and in any case not later than six months from the time of lodging the claim.

In case of delay on the part of the insurer in processing a claim for a reason other than the one covered above, it should pay interest on the claim amount at a rate which is two percent above the bank rate prevalent at the beginning of the financial year in which the claim is reviewed by it.

Specifically in case of claim of general insurance, an insured or the claimant should give notice to the insurer of any loss arising under contract of insurance at the earliest or within such extended time as may be allowed by the insurer. An insurer carrying on life or general business, should at all times respond within 10 days of the receipt of any communication from its policyholders in all matters, such as recording change of address, Noting of new nomination or change of nomination under a policy, noting an assignment of the policy, providing information on the current status of a policy indicating matters such as accrued bonus, surrender value and entitlement to a loan, processing papers and disbursal of a loan on security of policy, issuance of duplicate policy, issuance of an endorsement under the policy, noting a charge of interest or sum assured or perils insured, financial interest of a bank and other interests and guidance on the procedure for registering a claim and early settlement thereof.

Any breach of obligation cast on an insurer or insurance agent or insurance intermediary in terms of these regulations may enable the IRDA to initiate action against each or all of them jointly or severally, under the IRDA Act.

STEPS FOR INSURANCE CONSUMER PROTECTION

Affected consumer should first approach to the Divisional or Zonal Office and Grievance Redressal officer (GRO) of the company concerned. Consumer can go through the Insurance Ombudsman whose decision on settlement is final and binding on the insurance company. However, in case the consumer is not satisfied about the amount and the entitlement of the claim, he can make a comprehensive representation to the Insurance Regulatory and Development Authority (IRDA). Finally, consumer feels necessary he can approach to consumer courts.

IRDA has recently introduced the IRDA Grievance Call Centre (IGCC) that provides for a toll free number 155255. A consumer can lodge his complaint with the insurance companies first and if need be escalate them to the IRGA grievance Cell.

CONCLUSION

Insurance companies shall have a system and procedure for receiving, registering and disposing of grievances in each of its offices. IRDA formulate regulations for the interest of policy holders and general public covers rural /Social obligations, insurance advertisement and disclosures, licensing of insurance agents, general Insurance-reinsurance, appointed actuary asset, liabilities and solvency margins, registration of Indian insurance companies, investment norms, preparation of financial statements and auditors reports, third party administrators, protection of policy holders interest, corporate/ composite agents, insurance brokers, distribution of surplus, Life Insurance reinsurance, Insurance surveyors and loss assessor and, Micro-insurance. IRDA inspect or review the advertisements of insurer in related to insurance products, misleading or violated the code of the ASCI. In case of a complaint, the IRDA can take action and issue directions to the advertiser, impose penalty also.

References:

Dr. P.Periswamy, "Principles & Practice of Insurance", Himalaya Publishing House.

S.N Maheshwari & S.K Maheswari, "Banking Law and Practice", Kalyani publisher.
